DAY CARE AFFORDABILITY

An Analysis of Potential Impact and Responses

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I INTRODUCTION

For the past several years, the need for a substantial expansion in the number of subsidized day care spaces has been a major political issue in Metropolitan Toronto. A number of studies have been carried out to determine the extent of need in Metro. The most recent was undertaken by the Metropolitan Toronto Day Care Planning Task Force that reported in June, 1981.

In addition to the basic requirement for more subsidy spaces, the Task Force dealt with a number of related issues, including the distribution of subsidy spaces within Metropolitan Toronto. In response to this issue, the Department has been working on the development of a computer based planning system to generate data on the need for and supply of subsidized day care spaces at the community level. This system should be in place this year and will give us a more effective tool in determining the allocation of new spaces.

The planned expansion of subsidized day care recommended by the Day Care Planning Task Force and adopted by Metropolitan Council has been brought into question by two related issues that surfaced in 1981: affordability and universal day care. Both of these issues raise policy questions that were not dealt with extensively by the Task Force and, therefore, require policy direction from Metropolitan Council.

1.1 Universal Day Care

Universal day care is supported as part of a number of social philosophies. One argument is that day care should be acknowledged by government as a social necessity and therefore provided to all children as a right.

Other points stress economic and social viewpoints. Female participation in the labour force has now become a financial necessity and adequate family incomes are dependent upon both parents working. The increasing numbers of single and non-traditional families have created a growing need for alternative means of socializing children. A long standing school of thought has promoted day care as an enhancement to a child's social and cognitive development. Whatever the reasons, the fact remains that universal day care has become a political issue.

The demand for universal day care represents a major shift in the debate on the need for day care in Metropolitan Toronto.

Until now, the issue of need was limited to determining the appropriate numbers of spaces necessary to accommodate lower income working parents and the feasibility of expanding the system to meet that need given the financial resources available. The work of the Day Care Planning Task Force was carried out within that framework. Today, however, the introduction of the demand for universality totally changes the perception of need. The key issue facing Council, therefore, is whether or not Council supports the concept of universal day care.

The staff position is that universal day care is beyond the mandate and existing legislation administered by the Department. We believe that the municipal responsibility is to provide, either through direct provision of service or through agreements with private sector providers, sufficient subsidized day care spaces to meet the needs of families who require day care services and who qualify for financial support.

We acknowledge the need and have attempted to provide day care to allow parents to participate in gainful employment, retraining, or in response to special family needs. At this point in time, we cannot accept the view that municipal or any level of government can justify either the resources or assume the child care responsibilities involved in a universally accessible and available system of day care.

1.2 Affordability

As noted, the Day Care Planning Task Force approached the problem of affordability from the point of view of the phased expansion of subsidized day care spaces, distributed equitably throughout Metropolitan Toronto, under the existing legislation.

Fundamental to this developmental planning approach was the assumption, that the subsidy system was an adequate response to making day care affordable. Thus, affordability was related specifically to the issue of the number of subsidy spaces. Unfortunately, this assumption was wrong.

Affordable day care (average cost approximately $70 per week per child) has been available simply because the wages paid to employees in day care centres have remained low, relative to other child-care professionals. The change in the standards required by the province - staff with a recognized Early Childhood Education diploma for example - has resulted in more professionally qualified staff employed in centres, but has also generated pressures for higher salaries. The discrepancy between wages in Metro's day care centres and those in the private sector has widened (on average $4,000 per annum difference without consideration of fringe benefits) and created further problems. Finally, the movement towards unionization has begun to spread throughout the system, with the stated objective of achieving parity with Metro salaries and fringe benefits over three years.

The problem for the private sector operator, whether commercial or non-profit, is that the operator cannot afford to set the fee to the public at the level required to match Metro salary levels, without losing full fee parents. In simplest terms, the operator is caught between the necessity of pricing the service at a level the consumer is willing to pay and being able to afford the continuing escalation of labour and other costs of operation. Affordability, therefore, has taken on an entirely new dimension, reaching beyond the traditional subsidizable client into the mainstream of the day care system.

II DAY CARE AFFORDABILITY IN METRO

Although the subject of much speculation, no assessment exists of either the current level of day care expenditure, or limits of affordability of full fee parents in Metro. As part of this report the Department of Community Services, with the assistance of day care operators, parents and Ryerson students, surveyed 416 full-fee families in selected private group centres throughout Metro. The children surveyed represent 10% of all full-time, full-fee children in group care across Metro.

The survey attempted to answer three questions:
How much were parents paying for day care?
How much were parents prepared to pay for day care?
How did their maximum payments compare with projected fee increases?

As this study was one of the first to concentrate on full-fee parents, it was felt important to include as many of the findings as possible. To improve readability, this section highlights the key findings. The supporting tables are listed in Appendix II.

2.1 Current Day Care Expenditure

Twenty-nine percent of sampled families reported net weekly earnings of over $600 a week, confirming arguments that day care is now used by all income levels.

Affordability problems are directly related to the amount of disposable income. In order to examine the differential impact of day care fees on various incomes, the sample was divided into three income groups. As responses were based on net income, these categories approximately match families with gross incomes of:

Under $28,000
$28,000 - $40,000
Over $40,000

As expected weekly day care expenditure rose with income; averaging $60 a week for lower income families to $82 a week for the upper category.

However, when calculated as a percentage of take home pay, fees absorbed 23% of net wages of lower income families. The middle and upper groupings paid proportionately less, at 13.5% and 10.5% respectively.

These first figures confirm the relationship between day care use (and therefore access) and income. The larger proportion of net earnings spent by lower income families, compared with the more affluent income groups, clearly highlights the financial pressures created by day care fees on lower middle income families.

2.2 Maximum Day Care Expenditure

A central objective of the survey was to measure the maximum fee levels considered affordable by full fee parents. Two affordability measures were included in the questionnaire.

The first attempted to identify the level of fee increase at which parents would seriously consider looking for alternative care for their child/children.

Lower income families reported they would begin to seek alternative care at an average weekly increase of $5. Marginally higher increases of $9 and $15 a week were reported by the remaining two groupings.

The second measure specified the fee level at which parents were no longer able or willing to maintain their child in its current group setting.

Both lower and middle income respondents reported a $10 per week average maximum increase. Higher income families were able to absorb a considerably greater weekly increase of $25.

The families surveyed reported their maximum affordable fees at levels only slightly above their current day care expenditure. A $10 a week increase on a $65 a week fee equals 14%, barely exceeding the rate of inflation. What makes the results surprising is the similar maximum increases reported over such a wide income band. Although paying proportionately less of their income on day care and receiving greater salaries, average affordable increases for middle income respondants were identical to those reported by the lower income category.

2.3 Future Fees and Future Affordability

The results above make it apparent, that most families will face affordability problems, if even relatively minor fee increses occur. Should pressure continue to improve staff salaries, day care operators will be faced with significant cost increases. Assuming an ultimate goal of wage and fringe benefit parity with municipal centres, private centre staff, whose wages range between $8,000 - $10,000, would receive a 50% salary increase. Because salaries largely determine fees, one can assume that wage parity would also result in fee parity with municipal centres.

In order to obtain a measure of fees likely to arise from salary parity, municipal fees were inserted in place of fees reported by the parents surveyed. Wage parity however, will not be achieved for a number of years. For the purposes of this study, the inflationary increases in day care costs and family incomes, were assumed to balance each other out. In actual fact, middle and upper income families will have proportionately more dollars to spend after day care inflation has been discontinued. This will result in slightly larger expenditures than indicated by the respondants.

The projections show the average weekly costs of $60-$82, rising to between $98 and $120. To meet such increases, families would be paying approximately $38 a week more than their current payments. It is interesting to note, that the average 54% fee increase closely matches the approximately 50% salary increase, which would be paid to private centre staff in order to reach parity.

Based on the previous findings, the projected fees resulting from staff wage parity, were compared with the maximum fees the surveyed parents were prepared to pay. The projected fees ranged between $18 a week above the maximum affordable levels reported by lower income families, to $2 a week for the upper wage category.

Overall, 8 of 10 parents surveyed could not afford the projected fees, and would be forced to remove their child from care. The lower income families were most seriously affected, with 90% of the children being withdrawn.

The actual loss of full-fee parents will largely depend on the degree and consistency with which day care operators raise their fees. The diversity of programs, ages served and costs in Metro, makes it unlikely that every operator will respond identically. Although undoubtedly certain families will be affected, the differing responses will at least allow parents some freedom in choosing an alternative program for their child.

2.4 Observations

The financial pressures faced by full fee parents when surveyed about future day care affordability are clear. The results confirm, that notwithstanding the invaluable contribution of the existing subsidy system, the extent of affordability problems far exceeds its intent and design. Day care affordability is now an issue confronting many middle income families.

For families on the border line of eligibility, day care is a major financial burden. However, these parents differ little from established middle income families, who are only prepared to spend marginally more on day care, than at present. Although possibly stemming from different reasons, the few extra dollars these parents are prepared to comit, would support arguments that day care fees have reached the level at which the value

obtained is carefully balanced against additional costs. A $10 increase, barely exceeding the rate of inflation, gives cause for concern. Attendance projections based on rapid fee escalations simply confirm the limited financial resources.

Also of particular importance is the type of alternative care arrangements sought by affected parents. Supplementary information indicates that fee increases would result in even more children entering unlicensed care. This trend confirms operator's fears concerning future enrollment, and has implications for the future of the formal day care system and the care received by the displaced children. Due to the influence of variables not considered by the survey, it is quite possible that parents' reported reactions to fee increases may differ when they are actually confronted with higher day care costs.

III POLICY OPTIONS AND COSTS

The breadth and potential impact of decreasing day care affordability meant that many approaches could be considered in developing effective policy options. At the time this report was being prepared, the Metro Day Care Advisory Committee presented a variety of potential funding options for consideration by the Department. Both these and policies designed by staff were carefully reviewed. The three options which follow were selected for possessing three elements necessary to effectively combat declining affordability - the provision of adequate financial assistance, the ability to respond to the potential number of affected families and acknowledge the variation in need among full fee parents.

Prior to developing policy strategies, other provinces were contacted to see whether they had experienced affordability problems, due to possible staff unionization. Unfortunately the information was inconclusive, as unionization is generally non-existent elsewhere in Canada. A summary of the findings is included in Appendix III.

3.1 The Current Subsidy System

Often the immediate response to increasing day care affordability, is to examine the existing subsidy system for its potential to assist a larger range of families, than at present. Organizations such as the Social Planning Council of Metropolitan Toronto have recommended, that subsidy income ceilings be increased to permit lower and middle income families to receive subsidy assistance. Examination of the income ranges currently eligible for subsidy, questions whether extension of allowances is the required approach.

Table I lists the approximate maximum net incomes for a two and four person family, at which, full subsidy would cease, and all subsidy ends. The figures are based on day care payments of $75.00 a week.

TABLE I

Maximum net income eligible for full and partial subsidy

	Full Subsidy Ceases	All Subsidy Ceases
1 adult 1 child family	$17,100	$20,880
2 adult 2 child family	$20,400	$24,180

These figures clearly reveal that the current subsidy system has the ability to assist a substantial range of incomes. The corresponding gross incomes of approximately $26,000 and $29,000, compare with the 1981 median Metro family income of approximately $31,700. What has prevented the existing subsidy system from assisting families, other than the most financially disadvantaged, is not the allowance levels but rather the shortage of subsidized spaces.

Recognizing the impossibility of catering to all potentially subsidizable families, Metropolitan Council identified single parent families and low income two parent families, as priority groups for admission. Demand by these families has fully occupied the existing supply of subsidized spaces. The profiles of these families in turn, have created an image, that the subsidy system can only assist the poorest members of the community.

If additional subsidy spaces were added to the point that families other than priority families could be admitted, a number of benefits would immediately arise.

Pros

The existing system could considerably ease day care affordability problems for many parents.

The amount of subsidy would adjust automatically, to both changes in parental income and future day care costs.

As higher income families would only require partial subsidy, more spaces could be financed per dollar, than presently being funded at full subsidy.

Enlarging the subsidy program to assist more than priority group families, would help change the current but incorrect image of subsidy as only for low income individuals.

Federal-provincial cost-sharing arrangements would remain unchanged.

Cons

Indications are that the Ministry of Community and Social Services is considering reducing allowable expenses. Such changes could seriously limit the flexibility in the subsidy system and restrict the benefits obtainable to lower or middle income families.

One of the pre-conditions for subsidy assessment is that families must have assets of less than $5,000.00. This requirement was established as part of the cost-sharing agreement between Ontario and the Federal government. The fixed asset limit is unduly restrictive, given both inflation and the assets normally associated with the family incomes under discussion. Unless amended, it is possible that even if additional spaces were available, families with subsidizable incomes would be excluded, because of the asset requirement. Amendments such as calculating imputed income from assets, would maintain the original objective of the asset assessment (excluding families with considerable alternative income sources), but avoid an arbitrary cut-off point.

Summary

The present subsidy system contains the potential to alleviate affordability problems faced by families within certain income ranges. Two pre-conditions, however, will determine whether these families ultimately can be assisted. First, that eligibility criteria are not made any more restrictive, and secondly that the stock of subsidized spaces is increased to a level, which allows a greater proportion of the total eligible population to be served than at present.

3.2 $5 Per Diem Grants

A corner stone recommendation of the Ontario Coalition for Better Day Care's brief to the Ontario Cabinet was the institution of a $5.00 a day grant, for every child in non-profit care. Based on 12,100 full-time non-profit spaces, introducing such a grant would incur a gross cost of $15.2 million in 1982 in Metro.

Pros

The grant proposal is extremely simple in concept and presentation.

Parents ineligible for subsidy would be assisted.

The grant would provide additional funds to offset costs or improve salaries.

Cons

As presented, the $5 grant appears to be related more to the financial orientation of the centre (profit/non-profit), its efficiency and the ages of children in care, than the needs of the attending parents.

Day care cost increases, particularly if salaries are a motivating factor, will not be contained solely within non-profit centres. The exclusion of commercial operators means that approximately 40% of group centres in Metro would be automatically excluded.

Assuming a fundamental objective of the grant is to reduce program costs, a single sum payment will provide unbalanced benefits to different programs. For example, a $25 grant has substantially less impact on a $100 a week infant program than a $45 a week school age program.

Although not insurmountable, associated administrative issues arise. Would the grant be paid as part or in addition to possible subsidy payments? Would the grant be received per space, per child, or pro-rated according to days attended? How would part-time spaces be funded?

There is no guarantee how the money will ultimately be used. Would fees be lowered, salaries raised, or spaces expanded?

Federal cost-sharing is placed at risk, due to the universal nature of the program.

Summary

Both the design of the grant as presented to Community Services and Housing Committee and the larger federal-provincial funding concerns are major obstacles in adopting this option. The initial design, however, could be modified in a number of ways which would make it both more acceptable and effective.

3.3 Full Tax Allowances for Child Care Costs

Aside from basic personal exemptions, families with children may apply for two further tax deductions. The Child Care Expense deduction permits a parent to deduct $1,000.00 per child (maximum four children) from their taxable income to cover child care expenses. The Child Tax Credit permits lower income families to reduce taxes on Family Allowance payments. For a two child family, credit ceases at a taxable income of approximately $34,000.00. Allowable deductions in both programs, now fall far short of covering both the range and level of day care costs.

The development of a tax allowance or credit, covering total child care costs, would offer a formidable package of assistance to families requiring day care. Based on the income profiles of families surveyed, a full child care expense allowance could cost $350 million or more in lost tax revenue in Ontario, based on claims of $60 a week for care. Great uncertainty exists in developing such estimates due to the lack of knowledge about the numbers and payment arrangements affecting children in informal care.

Pros

Use of tax allowances is simple, comprehensive in coverage and offers a possible alternative to the subsidy system for individuals eligible for only partial subsidy.

There is little or no additional administrative or subsidy costs to either provincial or municipal government.

The financial return to middle income families is greater than the municipal or provincial governments could provide.

Use of the Income Tax Act removes cost-sharing conditions (i.e. asset limits, needs testing) required under the Canada Assistance Plan.

Payment to the parent promotes maximum choice of day care settings, i.e. centres do not have to contain vacant subsidized spaces. Furthermore, there is no discrimination against profit or non-profit operations.

Cons

As tax allowances affect taxable income, full deduction of child care expenses would be of greater value to families with larger incomes. A tax credit approach, rather than a deduction, would concentrate benefits on lower income families.

Families unable to obtain receipts for care, a situation which often occurs in the informal care system, would be unable to take advantage of tax concessions.

Tax allowances/credits would not assist families who have, neither the incomes to afford day care, nor the taxable incomes to claim tax reductions. This will necessitate the continuation of a direct subsidy system of some kind.

There is no guarantee how operators would ultimately used the income generated from an increased parental ability to pay.

Summary

Introduction of a national full child care tax allowance scheme is likely to be a complex and time-consuming option. Discussions with Ottawa, however, have revealed that an interdepartmental committee is currently reviewing all child related income supplements and deductions, with the intent of recommending possible consolidation or restructuring. The National Day Care Conference in September could offer the opportunity to establish a national platform for full tax allowances/credits. This might then be used with considerable effect to influence the negotiations underway in Ottawa.

IV RECOMMENDATIONS

That the Commissioner of Community Services write to the Minister of Community and Social Services recommending:

1) that the eligibility criteria for subsidized day care not be restricted, and that the Ministry negotiate with the Federal government to replace the fixed asset limit with a more flexible formula;

2) that financial resources be made available to provide the additional subsidized day care spaces identified by the Day Care Planning Task Force and approved by Metropolitan Council;

3) That staff be authorized to continue discussions in conjunction with representatives from the Day Care Advisory Committee and the appropriate federal and provincial ministries on alternative financial and/or program options which might effectively address the affordability issues highlighted in this report, and in particular a maintenance grant system and tax allowance/credit system.

APPENDIX I

Metropolitan Community Services Department

Day Care Fee Survey

1. How many child(ren) do you have in day care in the following age groups?
   Under 2 ____ 2 to 5 ____ 6 to 9 ____

2. How much do you pay every week in fees for the child(ren) in the following age groups?
   Under 2 ____ 2 to 5 ____ 6 to 9 ____

3. How many other members are there in your family?
   Adults ____ 10 to 16 ____ 0 to 9 ____

4. Is your husband/wife or partner either working or engaged in retraining or a student?
   Yes ☐ No ☐ Single Parent ☐

5. Do you live in Metropolitan Toronto?
   Yes ☐ No ☐

6. Does your family have assets (items readily convertible into cash i.e. savings, investments, 2nd house or cottage) worth less than $5,000?
   Yes ☐ No ☐

7. If the fees you are now paying to keep your child in day care were to rise;based on your current salary, at what level of weekly fee would you begin to seriously consider looking for alternative day care arrangements?
   $ _____

8. Again based on your current income, if fees were to rise further, at what level of weekly fee would you have to place your child elsewhere because you were no longer able or willing to pay the fees?
   $ _____

9. If you had to remove your child from your present day care centre because of high fees what alternative arrangements would you make?
   1) Place child in another setting (group centre or a supervised private home). ☐
   2) You or a member of your family would stay home to look after the child. ☐
   3) Place the child with relatives. ☐
   4) Place the child with friends or neighbours. ☐
   5) Let child look after himself/herself. ☐
   6) Other _____. ☐

10. What is the approximate take-home pay of you (and your spouse/partner) each week?
    $ _____

THANK YOU:

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APPENDIX II

FULL-FEE PARENTS IN METRO - SELECTED CHARACTERISTICS

II.1 Background

Although the Department of Community Services maintains records on subsidized clients, there is a complete vacuum of information concerning full-fee parents. As a result, a major survey was undertaken to assemble the needed facts relating to this group. As this survey was one of the first to examine full-fee parents, it was felt important to present as many of the findings as possible.

In order to capture the characteristics of full-fee parents, group centres were contacted which catered to all age groups and were situated in each of Metro's six Area Municipalities. Operators from the selected centres were provided with the survey details, and given the option of choosing either a telephone, or personally administered questionnaire (see Appendix I). Unfortunately, responses from two Area Municipalities were considerably lower than expected. Because of this, no comparative statistics have been provided by Area Municipality.

The statistics which follow were based on questionnaires returned by 433 full-fee families, attending 29 group centres across Metro. Families with children attending on a part-time basis were removed, leaving 416 families with 489 children in full time care. At March 1982, there were approximately 4,700 full time, full fee, licensed group day care spaces in Metro. The sample survey reflects approximately 10% of all full-time, full-fee children in group care.

II.2 Family Characteristics

Three characteristics predominated the sample families.

Eighty-eight percent were headed by two parents. With the generally low income in single parent families, it was still surprising to find 12% paying full fee.

Eighty-four percent of the families had only one child in day care. At the maximum 1% had three children enrolled.

2-5 year olds were the predominant age group cared for (66%). 19% of the sample were under 2 and 15% between the ages of 6 - 9.

II.3 Numbers of Children in Care

When attendance by age of child was examined, no families reported more than one child under 2 in care.

Eleven percent of the 2-5 year old children were enrolled with a same age group sibling.

Twenty-eight percent of the 6-9 year olds were similarly registered.

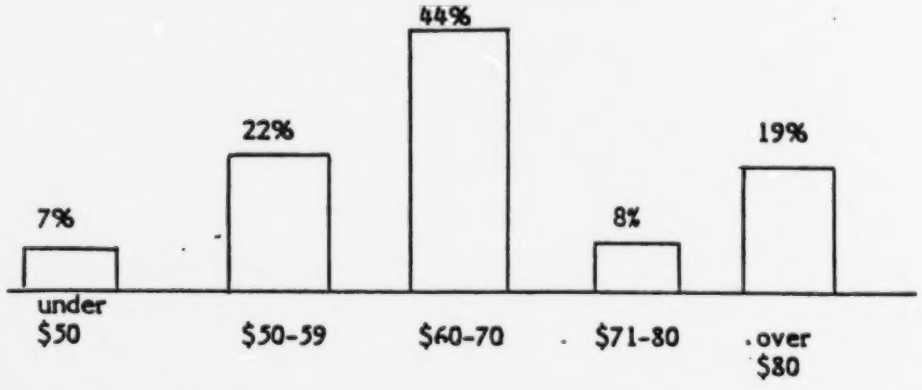
The mixture of available space and fees undoubtedly contributed to the profiles arising from 11.2 and 11.3. Spaces for under 2's are not only the most expensive due to high staffing ratios, but exceptionally difficult to obtain. Pre-school (2-5) and school age (6-9) spaces are generally more abundant with fees decreasing about 25% for each group respectively.

II.4 Day Care Costs

Parents were asked to indicate how much they paid to maintain their child(ren) in day care each week.

TABLE I

Distribution of Weekly Day Care Costs



As is readily apparent, nearly half of the parents paid between $60 - $70 a week. However, nearly one fifth paid in excess of $80 a week for day care. The payment figures are a reflection of day care fees for the large number of 2-5 year olds sampled. This is confirmed by examining the fees for 2-5 year olds in the selected centres. Nearly half charged between $60-$65 a week.

II.5 Day Care Expenditure and Income

In order not to lose the effects of increases on families with different incomes, the sample was sub-divided into the following three income groups based on take-home pay.

Families reporting less than $400 weekly.
Families reporting $400 - $600 weekly.
Families with weekly incomes in excess of $600.

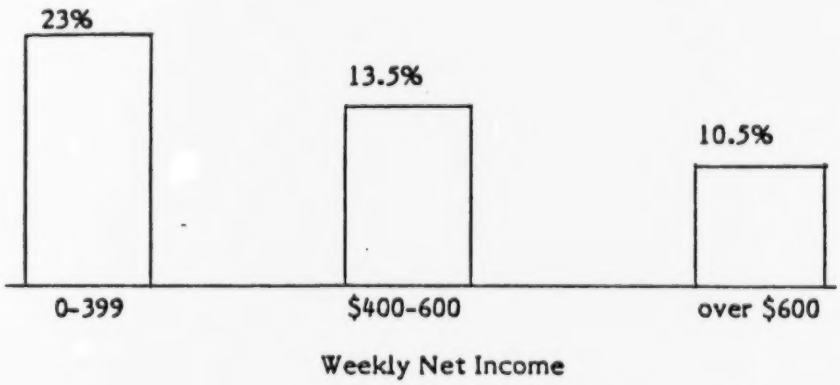
Assuming two earners, the three income groups generally correspond to gross family incomes of under $28,000, $28,000 - $40,000 and over $40,000. The income categories represented 23%, 48% and 29% of the responses respectively.

In September 1981 the average Metro family salary was estimated to be $35,400. Placement of the average, approximately mid-point in the sample incomes, indicates the use of day care across a wide range of incomes.

A more revealing measurement of day care expenditure is to compare costs as a proportion of net income. When calculated in this way and sub-divided by income, different expenditure patterns become readily apparent.

TABLE II

Average Day Care Fees as Percentage of Weekly Family Take-Home Pay



In addition to paying proportionately less of their income on day care, the utilization patterns increased for the upper income categories. For example, only 9% of the lower income families had more than one child in care, compared with 14% for the middle and 28% for the top income group.

II.6 Maximum Future Day Care Expenditure

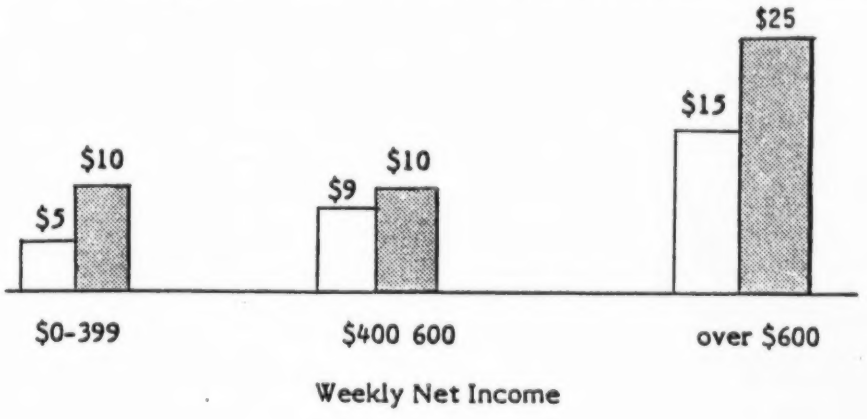
Table III lists the additional dollars per week reported in response to two measures of affordability.

(1) The level of fees at which parents would seriously consider looking for alternative care.

(2) The level of fees at which parents were no longer willing or able to maintain their children in their current group setting.

TABLE III

Maximum Median Additional Weekly Expenditure by Income Category



▱ - would look for alternative care

▨ - would remove child

Table III clearly reveals the limited degree of financial commitment reported by families with net incomes as high as $600 a week.

II.7 Future Day Care Fees and Affordability

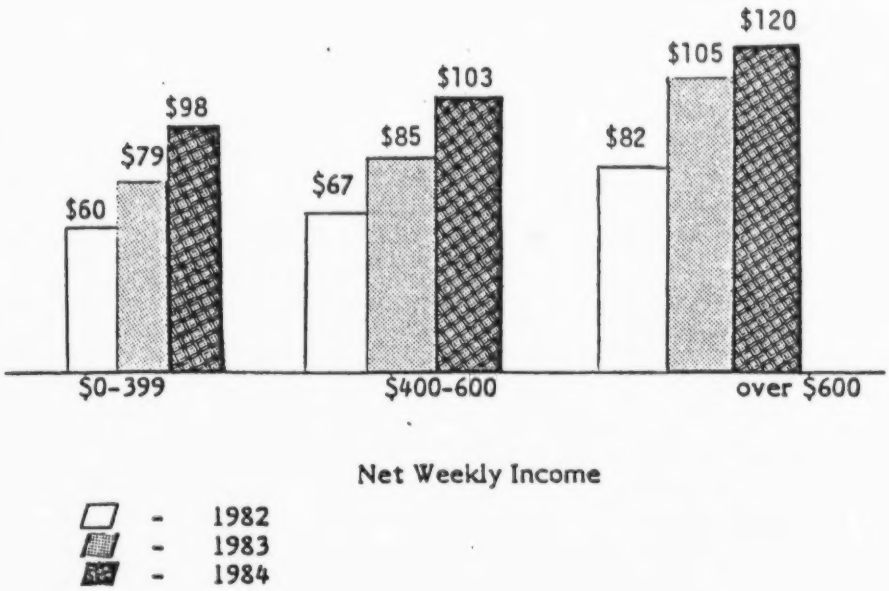
A central objective of the survey was not only to obtain a present and maximum fee profile, but to assess maximum affordable fees against possible future charges. Wage parity with municipal centres through staff unionization will bring substantial cost increases. Due to the large proportion of a day care centre's budget reserved for salaries, it is safe to assume that wage parity with municipal centres will also result in fee

parity. As a projection exercise, municipal fees ($85 for 2-5 years, $65 for 6-9 years and a $120 per week estimate for infants) were inserted in place of parents' current fees at two points in time. The first measure (1983) was calculated half way between current fees and municipal fees, or mid-point in the parity drive. The second calculation was based on achieving parity in 1984.

Table IV compares the average weekly fees by income groups as surveyed, and at the two future points in time. The extent of the increases is self-evident.

TABLE IV

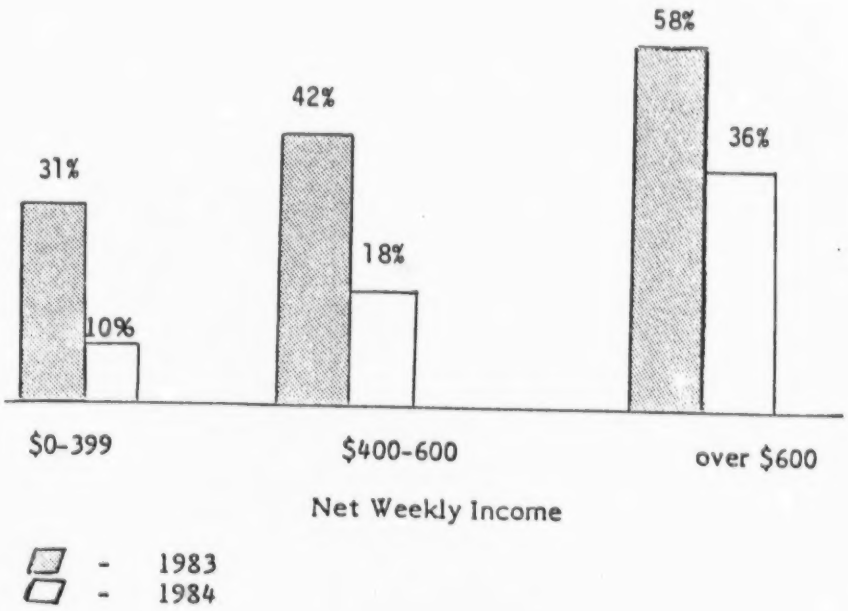
Projected 1983 and 1984 Weekly Fees by Income Groups



As a second calculation the above projected fees were compared with the maximum affordable fees as reported by the parents surveyed. Table V reveals the percentage of parents, within each category who indicated they were able to afford the projected fees.

TABLE V

Percentage of Families Indicating Ability
to pay 1983 and 1984 Projected Fees by Income Group



By almost any measure the financial impossibility of paying the 1984 projected fees becomes evident. Families within the three income groups would be paying an averge $38, $36, and $38 a week respectively above present payments. When compared with net income, day care fees would command 37%, 21% and 15% of net weekly earnings from lower to upper categories respectively.

II.8 Alternative Care Choices

Equally important policy and program considerations surround the identification of alternative care choices made by families who find themselves unable to afford their current day care arrangements.

Within the questionnaire, parents were provided with 6 alternative options. The alternatives, however, can be consolidated into three groupings.

1. Placement in a less expensive supervised group or private home day care setting.
2. Care by a member of the immediate family.
3. Care by friends/neighbours/relatives or self supervision by the child.

Table VI shows the results by income group, within these three major classifications.

TABLE VI

Alternative Care Choices by Income Group

Net Weekly Income	seek alternative supervised setting	care by neighbours relatives, etc.	care by immediate family	Total
$0-399	40%	34%	26%	100%
$400-600	52%	29%	19%	100%
over $600	50%	25%	25%	100%
TOTAL	47%	31%	22%	100

A greater proportion (60%) of lower income familes than other income groups were prepared to remove their children from supervised care altogether probably due to the already large percentage of their income spent on day care.

With the exception of lower income families who preferred to place their child with friends and neighbours; babysitter/live in help was the most frequently chosen option, and second choice for lower income families within the "care by neighbour" heading.

Fewer middle income families indicated that a member of the immediate family would stay home and care for the child.

The results generally indicate that families will try to find a less expensive space in the supervised day care system. However, what would the alternative choices be if cheaper day care spaces are either restricted, or non-existent due to fee increases. A limited number of parents provided a second alternative option. Although the responses were too few to separate by income, the trends are clear.

TABLE VII

Second Alternative Care Choices

care by neighbours relatives, etc.	care by immediate family	seek alternative supervised care
57%	28%	15%

Care by immediate family remains relatively constant. However, now only 15% would consider a cheaper supervised placement while 57% would search out babysitters, live in help, neighbours and relatives to care for their child.

As practically no up-to-date information is available on unsupervised care settings, twenty-seven families advertising informal care were contacted to collect information concerning fees and child capacity. The fees quoted ranged between $35-$95 a week, but varied by the location of the advertiser. Generally a 2-5 year old can be cared for, for less than $55 a

week, revealing the financial advantages of informal care, even at current day care costs. The mothers were usually caring for 1 child already, and prepared to care for between 1 and 5 additional children. This clearly indicates the potential child accommodation rate, if not quality of care within the informal care market.

The care choices by parents clearly reveal that initially a cheaper alternatve setting would be sought. Should cheaper locations be unavailable, over 8 out of the 10 parents surveyed would withdraw their children completely from licensed day care. As discussed in the main text, a concentrated shift towards unsupervised care has implications for the survival of the formal day care system, as well as the quality of care received by the child.

APPENDIX III

EXPERIENCES WITH UNIONIZATION IN OTHER JURISDICTIONS

This Appendix summarizes the contacts made with other provincial and municipal authorities. The objective of these discussions was to discover whether possible day care unionization in other provinces would supply information as to its expected impact, as well as details about potential policy responses. Unfortunately, the material obtained was more fruitful in providing funding information than knowledge concerning unionization.

III.1 Unionization in Ottawa-Carleton

Discussions with the Regional Municipality of Ottawa Carleton revealed that centres with high levels of subsidy were among the first to unionize. This has meant that although costs have risen substantially over the 3 years since certification commenced, there has been little impact on centres' operational incomes, which are almost completely supplied via the subsidy program. The few full fee parents registered made it impossible to measure the effect of increased fees on this group. The remainder of the centres in Ottawa have followed the trend established by the unionized operators, but at a rate moderated by their need to maintain their generally larger full fee enrolment.

Consistent with their stated goal, certified centres have reached financial parity with municipal operations. Indications are, that in 1982 the unionized centres will be negotiating for settlements in excess of municipal agreements.

With the exception of Ottawa, with 8 unionized centres, no other municipalities in Ontario have had equivalent experiences with day care collective bargaining.

III.2 A National Perspective

Six provinces were contacted in an attempt to broaden the information base about the effects of unionization and possibly tap any experiences they might be able to offer. Table 1 summarizes the results of these discussions.

TABLE I Summary of Discussions with Selected Provinces concerning Day Care Unionization

Province	Unionized/ Total Centres	Maximum Daily Subsidy	Secondary Funding Systems	Service Delivery Profile	Additional Comments
Saskatchewan	5/70	$10.00	$100/child/year	No municipal majority non-profit	Approximately 65% of spaces subsidized
Quebec	90/380	$ 9.00	$2 day non-profit only	No municipal	First contract expected in 1982. Parents reportedly leaving because subsidy rates unchanged since 1979.
Nova Scotia	2/250	$ 8.65	Incentive grant $1,500 Fund raising grant $1,500 Start up $100/child	No municipal	Non-profits only subsidized Grants restricted to subsidized operators.
British Columbia	2/724	$14.40	$10,000 start up $ 5,000 expansion	No municipal	Grants introduced to increase day care for individuals affected by income security changes.
Manitoba	10/232	$ 8.50	$2.50 day non-profit only	Majority non-profit	
Alberta	0/360	$ 8.33	Max. $175 month for service improvements	Municipal non-profit commerical	Monthly grants introduced to equalize funding, and encourage consistent service levels between commercial and other centres.

In five of the provinces, unionized day care was an exceptionally rare phenomenon. In the sixth, Quebec, approximately 25% of the centres were unionized, but will not negotiate their first contract until 1982. Although the provinces listed cover the two extremes in relation to collective bargaining, unfortunately, the officials contacted were unable to provide the information which had been anticipated.

Naturally, the day care programs differ in each province, however, a number of general comments can be made.

In all 6 provinces, a second grant or allowance scheme existed, however, only Alberta and British Columbia paid this allowance to commercial operators. This is probably because the Canada Assistance Plan will not cost share in funding commercial centres, in provinces which use income tests to determine subsidy. Ontario is the only province to use a needs rather than an income test. Although adopting different forms, the grants were designed to supplement on-going operational or service improvement costs.

Day care services in four provinces were delivered exclusively through purchased operators, therefore, possibly avoiding a highly paid sub-group of operators such as exists in Metro.

Finally the maximum daily subsidy is considerably lower than that paid in Metro. The differential is reduced however if the secondary funding program costs are added into the per diem.

III.3 Conclusions

Although other provinces' experiences could not be directly translated to Metro, there is no precedent relating to day care unionization within other provincial jurisdictions. As such, any policies and responses will have to be based exclusively on an assessment of the profile, impact and characteristics unique to day care within Metropolitan Toronto. The provinces contacted however offer a wealth of examples in secondary funding options, which may warrent further examination.

APPENDIX IV

ADDITIONAL POLICY OPTIONS

This Appendix contains policy options considered as part of the affordability study, but due to certain limitations or weaknesses were not included in the main text.

IV.1 Metro/Provincial Payment of Workers' Salaries

Under this option, Metro and the Ministry of Community and Social Services would completely cost-share staff salaries. The centres would remain responsible for raising remaining costs. Based on salaries absorbing 75% of a centre's cost, implementation of this proposal would cost an estimated $31.6 million gross. The 1982 budget for all purchased subsidized care is $18.2 million.

Pros

The proposal would cover the largest cost item in day care centres. It would also permit salary increases to take place without affecting fees and enrolment.

Cons

Acknowledging that salaries absorb between 75% to 80% of a private operator's budget, there would be little difference between salary subsidization and total subsidization of day care.

Paying both existing salaries, as well as anticipated increases, far exceeds the present affordability concerns which are primarily tied to future wage growth.

Even though involving substantial expenditure, there is no guarantee as to the outcome resulting from salary payment. Operators could have an instant surplus of up to 75% of their annual revenue, with no control or expectations as to how the income would be used.

Perhaps the central disadvantage of an "across the board" subsidy is the difficulty of balancing benefits with need. A consistent feature of the full-fee survey parent was the greater flexibility of the upper income group to absorb cost increases. Of equal importance at both low and high incomes is the principle that financial support should reflect the relative need of the parent. Unfortunately, the proposal in the form presented cannot satisfy this requirement.

As with other universal options, the possible loss of federal cost-sharing arises.

IV.2 $100 Per Child Start-Up Grants

Such grants would absorb the cost of establishing a day care operation. Assuming that new licensed spaces never fall below those added in 1982, the cost of implementing a $100 a space start-up grant would cost a minimum of $80,100 annually.

Pros

Such grants would operate as an incentive for new day care services by defraying initial costs.

Similar proposals are already operating in several provinces where their effects can be measured.

This form of funding can be designed to promote specific types of services (i.e. work place day care).

Cons

The formula may not be the most appropriate for non group care settings (i.e. private home day care)

Start-up costs are one-time expenses. The grants will not provide additional stimulation in extremely good or bad market conditions.

Cost-sharing would most likely have to be provided by the municipality and the province.

IV.3 Work Place Day Care

The expansion of work place day care offers the potential of cost subsidization provided through the supporting employer.

Pros

The Day Care Planning Task Force recommended the promotion of work place day care in the spring of 1981. The need to more actively promote work place day care becomes increasingly important when viewed from an affordability or subsidization perspective.

Business, through cooperative work place day care ventures, can establish day care services as a fringe benefit, with employees paying reduced costs. Potential benefits to the employer are increased staff morale, reduced sickness, as well as legitimate tax deductions for relatively minor financial outlays. A complete spectrum of arrangements are possible from direct operation to fee discounts in contracted centres.

Cons

Work place day care is still scarce in Metro. In 1982, two hospitals proposed to open work place day care centres. Both have been encouraged by a total of $50,000 contributed by the Ministry of Community and Social Services as part of its 1980 initiatives to promote employer-employee day care.

Under current economic conditions industry is unlikely to invest in work place day care without considerable grant assistance.

IV.4 Short Term Options

The Day Care Advisory Committee developed three short term recommendations pending introduction of a longer term solution.

(a) Free Use of Community Space

Under this proposal day care operators would obtain rent free space in community facilities.

To promote access to community space, it was suggested that a central registry of available space be established. Major community agencies (i.e. School Boards, Parks and Recreation Departments, etc.) generally maintain a space inventory for internal purposes. It is unknown whether the frequency of demand would justify the establishment of a space registry and the continual updating required to keep lists current.

In the majority of cases, community facilities (i.e. schools) charge only upkeep and maintenance costs. This policy sometimes is dependent on whether the centre is commercial or non-profit.

Pros

For centres able to locate in community space, certain savings may be achieved.

Cons

Such a policy is of no benefit to operators renting or forced to rent in the open market.

If operators must absorb renovation costs from their move, the expense could easily outwieght any short term rent savings.

(b) Bulk Purchasing of Supplies

A collective bulk-purchasing scheme would permit operators to reduce costs on everyday supplies, food etc.

Pros

Umbrella Day Care Services provides a bulk-purchasing service on behalf of its non-profit members and could be used as a base for an expanded bulk-puchasing operation.

Discounts might be further improved by associating with a major purchaser such as Boards of Education.

Cons

Because a proportionately small amount of a day care centres' budget is spent on food and supplies, savings would be at best, marginal.

(c) Exemption from Property Tax

Payment of property taxes by day care operators to date has been inconsistent. Recent indications are that the Ontario Ministry of Revenue is proposing to assess school based day care centres. Operators feel that such moves will signal a step to tax all day care operations and result in fee increases of between $2.50 and $3.50 a week per child. This exemption would exclude all day care centres from paying property tax.

The Department of Community Services through the Community Services and Housing Committee has written to the Ministers involved detailing the implications and requesting that a consistent assessment policy be established for day care centres.

Pros

Introduction of exemptions would immediately remove the possibility of sudden cost increases.

Cons

Prospects of complete exemption for all day care centres are unlikely due to the presence of commercial operators.